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NEW CAR OPERATING COSTS JUMP RECORD 4.9¢ TO 38¢ A MILE IN 1979

Typical costs to own and run a new "intermediate" size U.S. car shot up a record 4.9¢ to 38¢ a mile in 1979, some 14.7 per cent over 1978's 33.1¢ outlay, according to Hertz Corporation's new annual estimate issued today.

Led by a 38 per cent jump in per-gallon gasoline prices, the latest advance is the biggest single-year increase in overall auto expenses since 1950, the lease-rental company's report shows.

The newest surge tops the previous record rise of 3.6¢ a mile which took expenses from 20.2¢ in 1973 to 23.8¢ in 1974, the report says. In 1975 outlays climbed to 27.2¢, edged up to 28.1¢ the following year and went to 30.1¢ in 1977. By contrast, 1950 expenses were 10.9¢ a mile.

"Between 1973 and 1979 increases in new car ownership and operating costs totalled 88 per cent, far out-running the 63 per cent spiral in the cost-of-living index in the same period," according to J.E. Menendez, Hertz executive vice president for vehicle and equipment leasing.

The 38¢ a mile figure is for a normally-equipped, "intermediate" size two-door sedan driven 10,000 miles a year for three years, found before to best typify new car purchase, travel and ownership patterns.

Driving's double-digit inflation in the past six years, though, has forced many motorists to buy smaller, "down-sized" autos and to keep them longer, the report said.

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But rises for other models have paralleled those for "intermediates," the Hertz report shows, so drivers now spend more to run a sub-compact for four years than they did to operate a full-size make for three years in 1973.

Smaller-Car Expense Also Bigger

The company cited these 1978-79 expense increases for three-year, 10,000-mile-a-year ownership and operation of other new models:

Sub-compacts 30.1¢ a mile, up 16.7 per cent from 25.8¢ last year;
Compacts 31.9¢, up 13.1 per cent from 28.2¢;
Small mid-range models 36.5¢, up 12.3 per cent from 32.5¢;
Full size 43.3¢, up 17.3 per cent from 36.9¢ in 1978.

Outlays in the Hertz estimates include gasoline, oil and other service station items, maintenance, parts and repairs, licenses, fees, insurance and car loan interest, plus depreciation -- the difference between a vehicle's purchase price and its anticipated resale value -- the biggest single expense item.

Garaging and tolls are omitted since they can vary widely from place to place and owner to owner, but Hertz estimates such costs can add from 3¢ to 25¢ a mile for some owners in major cities.

Keeping cars longer can lower expenses sharply, the report states, because depreciation is greater in a car's early years, lower later on, more than off-setting the rise in upkeep outlays as the auto ages.

For the 10,000-mile-a-year intermediate driver who trades annually, per-mile expense totals 40.1¢, for two-year use it drops to 39.4¢, to the 38¢ figure for three year driving and falls to 35.4¢ a mile for four-year ownership, which Hertz says is now closer to the national norm than three-year use.

Five-year use brings costs down to 33.9¢ a mile and 10-year ownership reduces the expenses to just 26.4¢, the report shows. But to illustrate the size of the increases in the past six years, it said four-year costs for a subcompact in 1979 were 28.1¢ a mile, well above the 22.5¢ it cost to drive a standard-size car for three years in 1973.

Gasoline Up Record 26¢ a Gallon

Nationwide average gasoline prices leaped by 26.4¢ a gallon, the Hertz report estimated, bringing average prices for unleaded fuel to 95.5¢ a gallon to account for 1.4¢ of the total 4.9¢ per-mile increase. This put 1979 outlays for fuel at 5.5¢ a mile, against 4.1¢ last year.

The previous record fuel increase also took place in 1974 when at-the-pump prices jumped 16.2¢ a gallon from 38.8¢ in 1973 to 55¢. In 1975, "gas" went to 57.5¢, to 61¢ in 1976, 65¢ in 1977 and 69.1¢ last year.

Three-year average fuel efficiency for the '79s rose to about 17.3 miles per gallon from 1978's 16.9 m.p.g., lowering actual fuel use to 575 gallons from last year's 588. All figures reflect yearly averages rather than latest prices.

Fuel consumption data and other figures also are based on typically equipped models, including air-conditioning, automatic transmission and power steering and brakes which most buyers order.

Typical Car Price Up 10.5 Per cent to \$6,161

In its calculations, Hertz assumed the buyer got a 13 per cent discount from the intermediate's \$6,738 price, then added 5.1 per cent sales tax for a purchase price of \$6,161, against \$5,578 last year. This rise created a depreciation expense of 15.6¢ a mile, against 14.2¢ last year.

The purchase price rise also contributed to a 12 per cent increase in interest costs to 4.6¢ a mile, and to a jump of almost 14 per cent in insurance premiums, to nearly 7.3¢ a mile -- despite an increase in insurance deductibles.

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Other service station charges climbed from 1.4¢ a mile last year to 1.9¢ in 1979 while maintenance and repairs advanced 7.4 per cent to less than 2.5¢ a mile. Upkeep expenses have consistently shown the smallest increases in recent years and are actually about 30 per cent below 1950 levels in terms of dollars adjusted for inflation.

The Hertz cost study this year also contains a table showing changes in car sizes since 1973 when the lease-rental firm began issuing its cost estimates. The table illustrates that a typical "intermediate" size car is smaller now than it was in 1973 but has become a "standard-size" car of today. The "compact" of six years ago is the "mid-size" car of '79.

This mid-size model -- with a list price of \$6,265, a purchase price of \$5,794 and a wheelbase of 110" -- is now most typical of the Detroit products U.S. motorists are buying, Hertz said.

Four-year, 10,000-mile-a-year costs for this smaller, mid-size unit totalled 34.03¢ a mile in 1979, up 4.16¢ from 29.87¢ in 1973, an increase of 13.9 per cent in the 1978-79 model year.

Mileage Variations Change Figures

Hertz noted that many cost-per-mile figures in its study are higher than traditional government, manufacturer, dealer group and driver club calculations, some of which may ignore interest charges, assume only 10-year, one-owner use, employ different depreciation rates or vary the the assumed mileage driven each year.

"The greater the distance a car is driven in any single year, the lower its per-mile costs," Mr. Menendez noted, "because 'fixed' or standing expenses such as insurance and interest are spread over greater mileage. But yearly dollar outlays are far higher because of greater fuel, service and upkeep expenses."

The typical '79 intermediate travelling 15,000 miles a year costs only 28.8¢ a mile for three year use, rather than 38¢, but total dollars spent come to \$4,320 rather than \$3,798. At 25,000 annual miles, per-mile costs drop to 21.7¢, but outlays total \$5,413.

By showing per-mile costs at declining yearly mileage rates, as at least one study has done, annual per-mile expenses are "flattened," masking the fact that longer-term ownership actually reduces the costs for comparable driving. An example of this is shown in the Hertz study.

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NOTE TO EDITORS: See study notes for details of calculation. Figures in this study cover costs for typical NEW 1979 autos only. They differ from the per-mile figures in Hertz' annual estimate of total U.S. spending for ALL cars (and trucks) -- old and new-- purchased new OR used. Manufacturer "rebates" have not been calculated in these figures.

HERTZ ESTIMATES OF 1979-MODEL PASSENGER CAR OPERATING COSTS

Cents Per-mile Expenses at Various Average Annual Mileages, Years of Use and Car Size*

<u>Years Of Use</u>	'Sub- Compact' Size Car At 10M MPY	'Com- Pact' Size Car At 10M MPY	-----SMALL 'MID-SIZE' CAR -----					Cents Per Mile Average	At 9165 Constant Annual Mileage	'Inter- Mediate' Size Car At 10M MPY	'Stand- ard' Size Car At 10M MPY
			At 10,000 Miles A Year	At 15,000 Miles A Year	At 25,000 Miles A Year	An Average Annual '78 Varying Mileages					
1	.3180¢	.3371¢	.3850¢	.2892¢	.2162¢	13,943M	=	.3106¢	.3946¢	.4014¢	.4573¢
2	.3117	.3306	.3775	.2873	.2162	12,889M	=	.3156	.3990	.3934	.4482
3	.3010	.3194	<u>.3547 A</u>	.2791	.2126	12,082M	=	.3197	.3867	<u>.3798 D</u>	.4329
4	.2805	.2979	<u>.3403 B</u>	.2640	.2067	11,313M	=	.3130	.3603	<u>.3538 E</u>	.4035
5	.2686	.2855	.3262	.2550	- -	10,841M	=	.3091	.3451	.3388	.3865
6	.2486	.2644	.3023	.2410	- -	10,524M	=	.2926	.3189	.3133	.3578
7	.2339	.2490	.2848	- -	- -	10,206M	=	.2812	.2997	.2945	.3368
8	.2234	.2379	.2721	NOTE: No Data		9,983M	=	.2712	.2856	.2810	.3216
9	.2154	.2295	.2626	over 100,000		9,640M	=	.2670	.2751	.2708	.3102
10	.2097	.2235	<u>.2559 C</u>	miles.		9,165M	=	<u>.2671 G</u>	<u>.2671 G</u>	<u>.2636 F</u>	.3020

Alphabetical notations indicate same figures for same cars in each segment, on this page and on pages 2 and 3.

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HISTORICAL DATA -- 'INTERMEDIATE' SIZE CAR

<u>Year</u>	<u>3-Year Average Annual Mileage</u>	<u>3-Year Use Cost Per Mile</u>	<u>10-Year Average Annual Mileage</u>	<u>10-Year Use Cost Per Mile</u>	<u>At Constant 3-Year Use</u>	<u>10,000 Miles a Year 10-Year Use</u>
1950	12,771	9.3¢	9,032	8.0¢	10.9¢	7.7¢
1960	13,497	12.2	9,545	9.8	14.4	9.5
1970	14,267	14.7	10,090	12.1	19.0	12.2
1971	14,567	14.3	10,280	11.9	18.7	12.1
1972	14,652	15.1	10,362	12.1	19.7	12.4
1973	13,570	16.2	9,597	13.4	20.2	13.1
1974	12,300	20.7	8,732	17.1	23.8	15.9
1975	12,561	23.2	8,901	18.9	27.2	17.7
1976	11,885	24.8	9,015	20.1	28.1	17.9
1977	12,127	26.2	9,199	20.8 R	30.1	20.0
1978	12,082	29.1	9,165	23.1	33.1	22.4
1979	12,082 *	33.1	9,165 *	27.6	38.0 D	26.4 F

* 1978 Mileage

CURRENT DATA -- 'SMALL-MID-SIZE' CAR

At Varying Yearly 1978 Miles Driven

<u>Use Year</u>	<u>Miles Previous Year</u>	<u>¢ Per Mile</u>
1st	13,943	.3106¢
2nd	11,834	.3289
3rd	10,468	.3286
4th	9,006	.2844
5th	8,955	.2876
6th	8,934	.1912
7th	8,726	.1891
8th	7,998	.1994
9th	6,895	.2147
10th	4,894	.2621
Average	<u>9,165</u>	<u>.2671¢ G</u>

At Constant Mileage Each Year

<u>10M MPY -- ¢ P.M.</u>	<u>9165 MPY -- ¢ P.M.</u>
.3850¢	.3946¢
.3699	.3940
.3390	.3601
.2670	.2813
.2692	.2836
.1830	.1893
.1799	.1857
.1835	.1893
.1865	.1922
.1961	.2019
<u>.2559¢ C</u>	<u>.2671¢ G</u>

NOTE: Historical Data, above top, this page, and data on pages 1 and 3 are use-period averages, while figures above bottom on Current Data illustrate costs for individual years, e.g. the 33.9¢ constant 10,000 mile-per-year figure above is for third year costs, the 36.47¢ figure (A on pages 1 & 3) is the average for first 3 years.

BREAKOUT OF HERTZ OWNERSHIP & OPERATING COSTS FOR SELECTED CARS AT 10,000 MILES PER YEAR
(In Cents-Per-Mile)

Model Year	1979						1978					
Purchase Price	\$5,794			\$6,161			\$5,326			\$5,578		
Car Size - *	'Small Mid-Size'			'Intermediate'			'Small Mid-Size'			'Intermediate'		
Years Used	3-Years	4-Years	10-Years	3-Years	4-Years	10-Years	3-Years	4-Years	10-Years	3-Years	4-Years	10-Years
Depreciation	.1467¢	.1202¢	.0568¢	.1561¢	.1278¢	.0604¢	.1349¢	.1105¢	.0522¢	.1422¢	.1163¢	.0591¢
Ins., Lic. Fees	.0713	.0713	.0614	.0790	.0790	.0680	.0667	.0667	.0574	.0698	.0698	.0652
Interest												
(Fin. Purch.)	.0432	.0437	.0238	.0460	.0464	.0253	.0386	.0352	.0203	.0413	.0396	.0226
FIXED COSTS	.2613¢	.2352¢	.1420¢	.2810¢	.2533¢	.1537¢	.2403¢	.2125¢	.1299¢	.2533¢	.2257¢	.1469¢
Maintenance	.0234	.0248	.0324	.0248	.0264	.0344	.0218	.0232	.0302	.0231	.0244	.0352
Gas, Srv. Stn.	.0800	.0802	.0815	.0740	.0742	.0755	.0629	.0630	.0640	.0548	.0550	.0707
VARIABLE COST												
TOTAL	.1034¢	.1051¢	.1139¢	.0988¢	.1005¢	.1099¢	.0847¢	.0862¢	.0942¢	.0779¢	.0794¢	.1059¢
FIXED AND												
VARIABLE TOTAL	.3647¢ A	.3403¢ B	.2559¢ C	.3798¢ D	.3538¢ E	.2636¢ F	.3250¢	.2987¢	.2241¢	.3312¢	.3051¢	.2528¢

Model Year	1977		1976		1975		1974		1973	
Purchase Price	\$5,211		\$4,864		\$4,676		\$3,934		\$3,493	
Car Size - *	'Intermediate'		'Intermediate'		'Intermediate'		'Intermediate'		'Intermediate'	
Years Used	3-Years	10 Years	3-Years	10 Years	3-Years	10 Years	3-Years	10 Years	3-Years	10 Years
Depreciation	.1328¢	.0511¢	.1277¢	.0476¢	.1262¢	.0458¢	.1062¢	.0386¢	.0943¢	.0342¢
Ins. Lic. Fees	.0608	.0510	.0491	.0357	.0388	.0285	.0370	.0271	.0350	.0257
Interest										
(Fin. Purch.)	.0308	.0129	.0302	.0127	.0331	.0212	.0246	.0157	.0203	.0115
FIXED COSTS	.2244¢	.1150¢	.2070¢	.0960¢	.1981¢	.0955¢	.1678¢	.0814¢	.1496¢	.0714¢
Maintenance	.0212	.0293	.0208	.0289	.0191	.0265	.0182	.0253	.0177	.0246
Gas, Srv. Stn.	.0551	.0557	.0531	.0537	.0546	.0552	.0520	.0523	.0344	.0346
VARIABLE COST	.0763¢	.0850¢	.0739¢	.0826¢	.0737¢	.0917¢	.0702¢	.0776¢	.0521¢	.0592¢
FIXED AND										
VARIABLE TOTAL	.3007¢	.2000¢	.2809¢	.1786¢	.2718¢	.1772¢	.2380¢	.1590¢	.2017¢	.1306¢

*NOTE: As illustrated in table, page 4, car sizes have changed over past six years. Cars which in the past have been termed "intermediates" should now be termed "standard" or "full-size" vehicles.

SUMMARY OF DOMESTIC AUTO SIZE CHANGES 1973-79

<u>CAR SIZE</u>	<u>'Subcompact'</u>	<u>'Compact'</u>	<u>'Mid-Size'</u>	<u>'Intermediate'</u>	<u>'Standard'</u>
<u>Year 1979</u>					
List Price	\$5,004	\$5,370	\$6,265	\$6,738	\$7,793
Wheelbase	95"	106"	110"	114"	114"
Overall Length	169"	194"	198"	216"	209"
Weight	2,449 pounds	2,682 pounds	3,249 pounds	3,910 pounds	3,611 pounds
% Change - '73	+233 pounds	+425 pounds	+20 pounds	+132 pounds	-681 pounds
\$ Change - '73	+\$2,062	+\$2,285	+\$2,563	+\$2,831	+\$3,546
<u>Year 1978</u>					
Price	\$4,647	\$5,061	\$5,759	\$6,031	\$6,379
Wheelbase	same	same	same	114"	121"
Overall Length	same	same	194"	216"	224"
Weight	2,425 pounds	2,748 pounds	3,349 pounds	4,056 pounds	4,266 pounds
<u>Year 1977</u>					
Price	\$4,352	\$4,542	\$5,444	\$5,634	\$6,036
Wheelbase	same	103"	same	same	same
Overall Length	same	187"	same	same	same
Weight	2,443 pounds	2,999 pounds	3,462 pounds	3,981 pounds	4,414 pounds
<u>Year 1976</u>					
Price	\$4,061	\$4,321	\$5,089	\$5,263	\$5,627
Wheelbase	same	same	same	114"	same
Overall Length	166"	same	same	214"	same
Weight	2,562 pounds	2,980 pounds	3,343 pounds	4,137 pounds	4,451 pounds
<u>Year 1975</u>					
Price	\$3,622	\$4,230	\$4,979	\$5,089	\$5,515
Wheelbase	same	same	same	118"	same
Overall Length	166"	same	same	218"	same
Weight	2,581 pounds	2,891 pounds	3,243 pounds	4,258 pounds	4,502 pounds
<u>Year 1974</u>					
Price	\$3,304	\$3,518	\$3,857	\$4,257	\$4,870
Wheelbase	same	same	110" (same)	same	same
Overall Length	166"	same	194" (same)	215"	222"
Weight	2,443 pounds	2,852 pounds	2,964 pounds	4,038 pounds	4,302 pounds
<u>Year 1973</u>					
Price	\$2,942	\$3,085	\$3,702	\$3,907	\$4,247
Wheelbase	94"	same	109"	118"	same
Overall Length	165"	same	194" (same)	212"	220"
Weight	2,216 pounds	2,257 pounds	3,229 pounds	3,778 pounds	4,292 pounds

NOTE: Size classification terminology is arbitrary. Government and industry appellations have varied during years covered.

DETAILS OF 1979 COST CALCULATIONS BY HERTZ

1. Vehicles used are Pinto (subcompact), Fairmont (compact), Granada (mid-range), LTD II, (intermediate) and Ford (standard). List prices are on attached sheets. Discounts assumed as follows: Subcompact, 7.5%; compact, 10%; mid-range, 12%; intermediate, 15%; full-size, 15%. Assumed sales tax is 5.1% for all units, producing the following purchase prices: Subcompact, \$4,865; compact, \$5,070; mid-range, \$5,794; intermediate, \$6,161 and full-size, \$6,962.
2. Depreciation rates are averages. (Rates may vary widely from year to year or model to model, but over an extended period the rates have been fairly consistent.) 1 year, 31.5%; 2 year, 57%; 3 years, 76.5%; 4 years, 83.4%; 5 years, 87%; 6 years, 90%; 7 years, 92.5%; 8 years, 94.5%; 9 years, 96.4%; 10 years, 98%. Extremely high or low mileage each year will also produce depreciation rate variations. NOTE: No inflation assumption is made and this will significantly alter costs for longer-term ownership. However, inflation will also contribute to higher future costs for new cars so that longer use of cars remains more economical.
3. Insurance is based on \$250,000/\$500,000/\$50,000 rates with \$500 deductible comprehensive (It was \$300 in 1978). Assumption is that full insurance is retained for duration of car loan, then, if car is kept longer, comprehensive is dropped, only liability retained.
4. Interest. For ownership period up to 5 years, car loan is assumed to be for a period equal to ownership -- e.g. 3 year loan for 3 year ownership, 5 year loan for 5 year ownership. For use periods over 5 years, 5 year loan is assumed. (In past years, when 5 year loans were not available, 4 year maximum was used.) Financing of two-thirds of purchase price is assumed in all cases, one third cash down-payment assumed, with interest lost assumed for period of loan, not for full ownership period if over five years. Interest rates assume monthly payments, quarterly compounding as follows: 1 year: 11.08 paid, 6.5% lost; 2 years: 12.09%, 7 %; 3 years: 12.88, 7.5%; 4 years: 12.08, 8%; 5 years: 12.7, 8.5%.
5. Fuel Efficiency and Maintenance Costs are based on Hertz Estimates, not on data from government agencies or manufacturers or industry groups. The estimates are based upon, but are not equal to, Hertz costs since the estimates are intended to give motorists a basis for estimating their own costs for personal driving, not costs based on fleet purchases. The costs assume full, complete and proper maintenance, which some motorists may not perform. Nevertheless, slight reduction in fuel efficiency is assumed in calculating gasoline charges in later years.
6. Excluded from the costs are tolls and garaging since these items can fluctuate widely from place to place and can fluctuate even within the same general geographical areas depending on driving patterns and routes. These charges, are, however, almost never "nothing." If a car is parked in the owner's garage, technically the pro-rata cost, based on the size of the garage, should be counted. If car costs are

being calculated, expenses should be properly allocated. Without a car, a garage wouldn't be needed. Tolls also make a substantial difference. Two next-door neighbors commuting equal distances to work by different routes might spend 2.5¢ a mile over 10,000 miles of annual driving as a result of tolls. Major city, mid-town parking could add 15-20¢ a mile.

7. "Add-on" accessories also are not calculated. CB radios, for example, are excluded. Luxury and convenience packages are also excluded, even white-sidewall tires. Only options are automatic transmission, air conditioning, power-steering and power brakes plus tinted glass.